Hua Lien International (Holding) Company Limited

Incorporated in the Cayman Islands with limited liability

Stock Code: 969

2021
Interim Report

UNAUDITED INTERIM RESULTS

The board of directors (the "Directors") (the "Board") of Hua Lien International (Holding) Company Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2021 together with the comparative figures as follow:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30th June 2021

		Six months ended 30th June	
		2021	2020
		(unaudited)	(unaudited)
	Notes	**HK$'000**	HK$'000
Turnover	(3)	**77,536**	65,429
Cost of sales		**(53,884)**	(46,174)
Gross profit		**23,652**	19,255
Changes in fair value of biological assets	(11)	**(514)**	(16,902)
Other income		**3,250**	2,081
Administrative expenses		**(14,399)**	(15,925)
Other operating expenses	(4)	**(113)**	(402)
Finance costs	(5)	**(31,471)**	(54,912)
Loss before income tax expense		**(19,595)**	(66,805)
Income tax expense	(7)	**—**	—
Loss for the period	(6)	**(19,595)**	(66,805)
Loss for the period attributable to:			
Owners of the Company		**(13,771)**	(48,250)
Non-controlling interests		**(5,824)**	(18,555)
		(19,595)	(66,805)
Loss per share	(8)		
— Basic (cents per share)		**(0.0063)**	(0.0220)
— Diluted (cents per share)		**(0.0063)**	(0.0220)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June 2021

	Notes	Six months ended 30th June **2021** **(unaudited)** **HK$'000**	 2020 (unaudited) HK$'000
Loss for the period		**(19,595)**	(66,805)
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**18,510**	39,780
Total comprehensive loss for the period		**(1,085)**	(27,025)
Total comprehensive loss for the period attributable to:			
Owners of the Company		**(1,036)**	(19,139)
Non-controlling interests		**(49)**	(7,886)
		(1,085)	(27,025)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June 2021

	Notes	30th June 2021 (unaudited) HK$'000	31st December 2020 (audited) HK$'000
Non-current assets			
Property, plant and equipment	(10)	**7,852**	7,965
Intangible asset		**—**	—
Right-of-use assets		**—**	—
Total non-current assets		**7,852**	7,965
Current assets			
Biological assets — growing cane	(11)	**7,899**	13,344
Inventories	(12)	**59,584**	34,536
Trade and other receivables	(13)	**9,372**	12,869
Bank balances, deposits and cash	(14)	**68,258**	63,517
Total current assets		**145,113**	124,266
Total assets		**152,965**	132,231
Current liabilities			
Trade and other payables	(15)	**586,385**	578,975
Contract liabilities		**3,552**	—
Lease liabilities	(16)	**1,803**	1,801
Amount due to non-controlling interests		**522,411**	512,575
Total current liabilities		**1,114,151**	1,093,351
Net current liabilities		**(969,038)**	(969,085)
Total assets less current liabilities		**(961,186)**	(961,120)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30th June 2021

	Notes	**30th June 2021 (unaudited) HK$'000**	31st December 2020 (audited) HK$'000
Non-current liabilities			
Lease liabilities	(16)	**(25,054)**	(24,035)
Net liabilities		**(986,240)**	(985,155)
Capital and reserves			
Share capital	(17)	**219,118**	219,118
Reserves		**(1,032,636)**	(1,031,600)
Capital deficiency		**(813,518)**	(812,482)
Non-controlling interests		**(172,722)**	(172,673)
Total capital deficiency		**(986,240)**	(985,155)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2021

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Convertible notes equity reserve HK$'000	Translation reserve HK$'000	Special reserve (Note) HK$'000	Accumulated losses HK$'000	Total HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
At 1st January 2021 (audited)	**219,118**	**708,392**	**–**	**(35,959)**	**(25,391)**	**(1,678,642)**	**(812,482)**	**(172,673)**	**(985,155)**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(13,771)**	**(13,771)**	**(5,824)**	**(19,595)**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**12,735**	**–**	**–**	**12,735**	**5,775**	**18,510**
Total comprehensive loss for the period	**–**	**–**	**–**	**12,735**	**–**	**(13,771)**	**(1,036)**	**(49)**	**(1,085)**
At 30th June 2021 (unaudited)	**219,118**	**708,392**	**–**	**(23,224)**	**(25,391)**	**(1,692,413)**	**(813,518)**	**(172,722)**	**(986,240)**

For the six months ended 30th June 2020

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Convertible notes equity reserve HK$'000	Translation reserve HK$'000	Special reserve (Note) HK$'000	Accumulated losses HK$'000	Total HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
At 1st January 2020 (audited)	219,118	708,392	–	(66,014)	(25,391)	(1,582,686)	(746,581)	(159,080)	(905,661)
Loss for the period	–	–	–	–	–	(48,250)	(48,250)	(18,555)	(66,805)
Exchange differences arising on translation of foreign operations	–	–	–	29,111	–	–	29,111	10,669	39,780
Total comprehensive loss for the period	–	–	–	29,111	–	(48,250)	(19,139)	(7,886)	(27,025)
At 30th June 2020 (unaudited)	219,118	708,392	–	(36,903)	(25,391)	(1,630,936)	(765,720)	(166,966)	(932,686)

Note: The special reserve represents the difference between the consideration paid by the Company for the acquisition of the 70% equity interest in Joyful Right Limited and its subsidiaries (the "Joyful Right Group") under common control and the aggregate carrying amount of assets and liabilities acquired in Joyful Right Group.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June 2021

	Six months ended 30th June	
	2021	2020
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Operating cash flows before movements in working capital	**13,454**	6,937
Decrease (increase) in biological assets	**4,426**	(7,365)
(Increase) decrease in inventories	**(26,184)**	2,570
Decrease (increase) in trade and other receivables	**3,072**	(7,413)
Decrease (increase) in trade and other payables	**7,902**	(11,302)
Increase in contract liabilities	**3,552**	8,824
Net cash from (used in) operating activities	**6,222**	(7,749)
Net cash (used in) from investing activities		
Acquisition of property, plant and equipment	**(1,240)**	(614)
Interest received	**31**	133
Decrease in pledged bank deposits	**—**	1,228
	(1,209)	747
Net cash from financing activities	**—**	—
Net increase (decrease) in cash and cash equivalents	**5,013**	(7,002)
Cash and cash equivalents at the beginning of the period	**63,517**	62,480
Effect of foreign exchange rate changes	**(272)**	(1,249)
Cash and cash equivalents at the end of the period	**68,258**	54,229
Analysis of the balance of cash and cash equivalents		
Current bank balances and cash	**67,942**	53,907
Short-term fixed deposits mature within three months	**316**	322
	68,258	54,229

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30th June 2021 have been prepared in accordance with Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). This should be read in conjunction with the annual financial statements of the Group for the year ended 31st December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS").

Going concern basis

The unaudited condensed consolidated interim financial statements have been prepared on a going concern basis even though the Group incurred a consolidated net loss of approximately HK$19,595,000 during the period (six months ended 30th June 2020: approximately HK$66,805,000) and the Group had net current liabilities and net liabilities of approximately HK$969,038,000 (31st December 2020: approximately HK$969,085,000) and approximately HK$986,240,000 (31st December 2020: approximately HK$985,155,000) respectively.

In view of these circumstances, the directors have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group has implemented or is in the process of implementing the following measures:

(a) the substantial shareholder, COMPLANT International Sugar Industry Co., Ltd. ("Complant Sugar"), had granted an irrevocable supplemental undertaking (the "Supplemental Undertaking") on 31st December 2019 in favour of the Company. Pursuant to the Supplemental Undertaking, conditional upon the entering into of an agreement for a formal repayment plan, Complant Sugar will not demand repayment of or performance of obligations under the amount payable on demand of HK$533,700,000 until 31st December 2021;

(b) Complant Sugar has undertaken to provide continuing financial support and will not recall any of the amount due to it until the Group is able to pay its other creditors in the normal course of business, in order to maintain the Group as a going concern;

1. BASIS OF PREPARATION *(Continued)*

Going concern basis *(Continued)*

(c) The Directors have evaluated all the relevant facts available to them and are of the opinion that the Group is improving its liquidity by reducing the cash outflow from its operations in the form of (i) taking measures tighten cost controls over administrative and other operating expenses; and (ii) monitoring the repair and maintenance of the Sugar business segment in order to reduce cash outlay for unnecessary factory overhauls and unexpected capital cash outflow for asset replacement;

(d) The Group is actively following up with its debtors on outstanding receivables with the aim of agreeing a repayment schedule with each of them to expedite collection; and

(e) The Group has budgeted and laid out its business plan for the next twelve months and seek to reduce its loss and to increase its business cash flow. The Group will continuously review the current liquidity position and the funding needs when the budget plan and business plan are carrying out. The Group will also continuously monitor the production activities under the business plan to optimize production volume to meet the sales forecast and to reduce waste wherever possible to minimize cost.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the Group's unaudited condensed consolidated interim financial statements for the period ended 30th June 2021 on a going concern basis. Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of assets to their net realisable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the Group's unaudited condensed consolidated interim financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis, except for biological assets and certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of amendments to HKFRSs, the accounting policies and methods of computation used in the unaudited condensed consolidated interim financial statements for the six months ended 30th June 2021 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31st December 2020.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1st January 2021 for the preparation of the Group's unaudited condensed consolidated interim financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated interim financial statements.

3. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in provision of supporting services and sweetener business and cultivation of sugar cane and manufacturing of sugar. Turnover represents the invoiced value of goods sold to external customers during the period, after allowances for returns and trade discounts. The Group recognised revenue at a point in time.

The Group's reportable and operating segments, based on information reported to the chief executive officer, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of goods. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

— Supporting services to sweetener and ethanol business (the "Supporting services");

— Sugar cane growing and sugar manufacturing business (the "Sugar business"); and

— Ethanol biofuel business (the "Ethanol business").

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

The following was an analysis of the Group's revenue, results, assets and liabilities by reportable segments:

	Supporting services HK$'000	Sugar business HK$'000	Ethanol business HK$'000	Total HK$'000
Six months ended 30th June 2021				
Turnover				
Segment turnover	–	77,536	–	77,536
Inter-segment sales	–	–	–	–
Sales to external customers	–	77,536	–	77,536
Segment results	423	(19,875)	52	(19,400)
Unallocated corporate expenses				(195)
Loss before tax				(19,595)
At 30th June 2021				
Assets and liabilities				
Segment assets	25,414	111,221	11,385	148,020
Corporate and other unallocated assets				4,945
Total assets				152,965
Segment liabilities	29,006	575,290	–	604,296
Corporate and other unallocated liabilities				534,909
Total liabilities				1,139,205

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

	Supporting services HK$'000	Sugar business HK$'000	Ethanol business HK$'000	Total HK$'000
Six months ended 30th June 2020				
Turnover				
Segment turnover	–	65,429	–	65,429
Inter-segment sales	–	–	–	–
Sales to external customers	–	65,429	–	65,429
Segment results	(2,670)	(60,249)	(471)	(63,390)
Unallocated corporate expenses				(3,415)
Loss before tax				(66,805)
At 31st December 2020				
Assets and liabilities				
Segment assets	25,467	89,533	11,410	126,410
Corporate and other unallocated assets				5,821
Total assets				132,231
Segment liabilities	28,940	553,377	–	582,317
Corporate and other unallocated liabilities				535,069
Total liabilities				1,117,386

Inter-segment sales are conducted with terms mutually agreed by both contract parties.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represents results of each segment without allocation of central administration costs, directors' remuneration, interest income and finance costs. This is the measure reported to the chief executive officer with respect to the resource allocation and performance assessment.

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

For the purposes of monitoring segment performance and allocating resources between segments:

— All assets are allocated to operating segment, other than certain bank balance and cash of head office.

— All liabilities are allocated to operating segments, other than other payables and accrued liabilities of head office.

Other reportable segment information

	Supporting services (unaudited) HK$'000	**Sugar business (unaudited) HK$'000**	**Ethanol business (unaudited) HK$'000**	**Total (unaudited) HK$'000**
Six months ended 30th June 2021				
Amounts included in the measure of segment result for segment assets:				
Depreciation	**1**	**946**	**2**	**949**
Impairment loss on property, plant and equipment	**107**	**6**	**–**	**113**

	Supporting services (unaudited) HK$'000	Sugar business (unaudited) HK$'000	Ethanol business (unaudited) HK$'000	Total (unaudited) HK$'000
Six months ended 30th June 2020				
Amounts included in the measure of segment profit or loss for segment assets:				
Depreciation	13	1,641	2	1,656
Impairment loss on property, plant and equipment	–	402	–	402

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Geographic Information

Revenue from external customers

	Six months ended 30th June	
	2021	2020
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Jamaica	**64,737**	48,733
The United States	**12,799**	16,696
	77,536	65,429

The revenue information from operations above is based on the location of the customers.

Non-current assets

	30th June	31st December
	2021	2020
	(unaudited)	(audited)
	HK$'000	HK$'000
Jamaica	**7,827**	7,938
The People's Republic of China	**16**	16
African Countries	**9**	11
	7,852	7,965

The non-current assets information is based on the location of assets.

4. OTHER OPERATING EXPENSES

	Six months ended 30th June	
	2021	2020
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Impairment loss on property, plant and equipment	**6**	402
Impairment loss on trade receivables	**107**	—
	113	402

5. FINANCE COSTS

	Six months ended 30th June	
	2021	2020
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Interest on amounts due to non-controlling interests	**8,985**	12,344
Interest on lease liabilities	**968**	1,073
Exchange loss on borrowings	**21,518**	41,495
Total borrowing costs	**31,471**	54,912

6. LOSS FOR THE PERIOD

	Six months ended 30th June	
	2021	2020
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Loss for the period has been arrived at after charging:		
Loss on disposal of property, plant and equipment	**140**	237
Depreciation of property, plant and equipment	**949**	1,656

7. INCOME TAX EXPENSE

No provision for income tax has been made in the unaudited condensed consolidated interim financial statements as the Company and its subsidiaries have no assessment profits or there is no taxation in relevant jurisdictions where they operate.

8. LOSS PER SHARE

The calculation of basic loss per share was based on the consolidated loss for the period attributable to equity holders of the Company of approximately HK$13,771,000 (six months ended 30th June 2020: approximately HK$48,250,000), and the weighted average number of 2,191,180,000 (30th June 2020: 2,191,180,000) ordinary shares in issue during the period.

9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the period ended 30th June 2021 (six months ended 30th June 2020: Nil).

10. ADDITIONS OF PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$1,240,000 (six months ended 30th June 2020: approximately HK$614,000) on acquisition of property, plant and equipment.

11. BIOLOGICAL ASSETS — GROWING CANE

	30th June 2021 (unaudited) HK$'000	31st December 2020 (audited) HK$'000
Opening balance	**13,344**	27,240
Cane cultivation cost capitalised	**22,665**	37,269
Decrease in fair value of cane harvested	**(27,091)**	(29,016)
Change in fair value	**(514)**	(19,887)
Exchange realignment	**(505)**	(2,262)
Closing balance	**7,899**	13,344

The decrease in fair value of growing cane for the period ended of approximately HK$514,000 (six months ended 30th June 2020: approximately HK$16,902,000) was reflected in the profit or loss.

12. INVENTORIES

	30th June 2021 (unaudited) HK$'000	31st December 2020 (audited) HK$'000
Consumables and components	**50,224**	51,585
Goods in transit	**15**	16
Sugar and molasses	**28,010**	2,235
	78,249	53,836
Write-down	**(18,665)**	(19,300)
Net realizable value	**59,584**	34,536

At 30th June 2021, the sugar and molasses consisted of 5,959 tonnes (31st December 2020: 270 tonnes) of raw sugar and Nil tonnes (31st December 2020: 1,034 tonnes) of molasses with carrying amounts of approximately HK$28,010,000 (31st December 2020: approximately HK$1,468,000) and HK$ Nil (31st December 2020: approximately HK$767,000) respectively.

13. TRADE AND OTHER RECEIVABLES

	30th June 2021 (unaudited) HK$'000	31st December 2020 (audited) HK$'000
Trade receivables	**85,191**	88,965
Less: Impairment loss	**(82,345)**	(82,067)
	2,846	6,898
Prepayments	**5,855**	5,263
Other receivables and deposits	**671**	708
	9,372	12,869

The Group does not hold any collateral over these balances.

13. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group allows a credit period of 90-365 days (31st December 2020: 90-365 days) to its customers of Supporting services, 30 days (31st December 2020: 30 days) to customers of raw sugar trading and 60 days (31st December 2020: 60 days) to customers of molasses trading. The following is an ageing analysis of trade receivables presented based on the invoice date and prior to impairment loss at the end of the reporting period are as follows:

	30th June 2021 (unaudited) HK$'000	31st December 2020 (audited) HK$'000
0 — 30 days	**—**	6,898
31 — 60 days	**1,043**	—
61 — 90 days	**880**	—
91 — 365 days	**—**	—
> 365 days	**83,268**	82,067
	85,191	88,965

The other classes within trade and other receivables do not contain impaired assets.

The Group recognised impairment loss based on the accounting policy for the period and year ended 30th June 2021 and 31st December 2020 respectively

14. BANK BALANCES, DEPOSITS AND CASH

	30th June 2021 (unaudited) HK$'000	31st December 2020 (audited) HK$'000
Bank balances and cash	**67,942**	63,215
Short-term fixed deposits mature within three months	**316**	302
Cash and cash equivalents	**68,258**	63,517
Pledged bank deposits	**–**	–
	68,258	63,517

Bank balances comprise time and demand deposits at bank which bear interest at the prevailing market rates.

15. TRADE AND OTHER PAYABLES

	30th June 2021 (unaudited) HK$'000	31st December 2020 (audited) HK$'000
Trade payables	**20,624**	10,708
Other payables and accrued liabilities	**565,761**	568,267
	586,385	578,975

Trade payables credit period granted by trade creditors of Supporting services is 0-365 days (31st December 2020: 0-365 days) while credit period granted by trade creditors of Sugar business is 30 days (31st December 2020: 30 days).

15. TRADE AND OTHER PAYABLES *(Continued)*

The following is an analysis of trade payables by age based on due date.

	30th June 2021 (unaudited) HK$'000	31st December 2020 (audited) HK$'000
Not yet due	**5,943**	1,183
Overdue 1 — 90 days	**3,458**	347
Overdue 91 -180 days	**1,924**	14
Overdue 181 — 365 days	**20**	316
Overdue > 365 days	**9,279**	8,848
	20,624	10,708

As at 30th June 2021 and 31st December 2020, included in other payables and accrued liabilities of HK$533,700,000 which represented amount due to Complant Sugar upon the maturity of the convertible notes on 27th February 2019. Pursuant to the Supplemental Undertaking, conditional upon the entering into of an agreement for a formal repayment plan, Complant Sugar will not demand repayment of or performance of obligation until 31st December 2021. The amount due was unsecured, interest-free and repayment on demand.

16. LEASE LIABILITIES

Future lease payments were due as follows:

			At 30th June 2021	At 31st December 2020
	Minimum lease payments (unaudited) HK$'000	Interest (unaudited) HK$'000	Present value of minimum lease payments (unaudited) HK$'000	Present value of minimum lease payments (audited) HK$'000
Within one year	**2,089**	**286**	**1,803**	1,801
After one but within two years	**2,089**	**414**	**1,675**	1,673
After two but within five years	**6,266**	**1,921**	**4,345**	4,340
More than five years	**72,220**	**53,186**	**19,034**	18,022
	80,575	**55,521**	**25,054**	24,035
	82,664	**55,807**	**26,857**	25,836

The present value of future lease payments were analysed as:

	At 30th June 2021 (unaudited) HK$'000	At 31st December 2020 (audited) HK$'000
Current liabilities	**1,803**	1,801
Non-current liabilities	**25,054**	24,035
	26,857	25,836

17. SHARE CAPITAL

	Number of shares '000	Value HK$'000
Ordinary share of HK$0.1 each		
Authorised:		
As at 31st December 2020 (audited) and 30th June 2021 (unaudited)	**6,000,000**	600,000
Issued and fully paid:		
As at 31st December 2020 (audited) and 30th June 2021 (unaudited)	**2,191,180**	219,118

18. CAPITAL COMMITMENTS

As at 30th June 2021 and 31st December 2020, the Group did not have any significant capital commitments.

19. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the unaudited condensed consolidated interim financial statements, the transactions for the period and balances at 30th June 2021 with consolidated related parties are as follows:

(a) Transaction with related parties:

	Six months ended 30th June	
	2021 (unaudited) HK$'000	2020 (unaudited) HK$'000
Exempted Continuing Connected Transaction		
Rental and building management fee paid to China Complant	**28**	26

19. RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transaction with related parties: *(Continued)*

Notes:

1. The above exempted continuing connected transactions with related party was conducted with terms mutually agreed by both contract parties with reference to market prices.

2. Due to the proposed non-exempted continuing connected transactions were voted down by the independent shareholders on the extraordinary general meeting held on 31st May 2019. The supporting service business segment cannot carry out any non-exempted continuing connected transaction with its customers who presently are all connected parties, therefore, the Group had not entered into any non-exempted continuing connected transaction during both the six months ended 30th June 2021 and 2020.

(b) Trade receivables and other payable of related parties

	At 30th June 2021 (unaudited) HK$'000	At 31st December 2020 (audited) HK$'000
Amount due from subsidiaries of Complant Sugar		
— Trade receivables	**—**	—
Amount due to China Complant		
— Other payable	**19,903**	20,104

Notes: The amounts are interest-free and unsecured.

19. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Remuneration of key management during the period was as follows:

	Six months ended 30th June	
	2021	2020
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Short-term benefits	**–**	149
Post-employment benefits	**–**	48
	–	197

20. PLEDGE OF ASSETS

As at 30th June 2021 and 31st December 2020, the Group did not have any pledge of assets.

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The directors of the Company consider that those carrying amounts of financial assets and financial liabilities recorded at amortised cost in the unaudited condensed consolidated interim financial statements approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

OVERALL PERFORMANCE

For the six months ended 30th June 2021, the turnover of the Group increased by approximately 18.5% to approximately HK$77.5 million (six months ended 30th June 2020: approximately HK$65.4 million).

The amount of overall gross profit increased by approximately HK$4.4 million to approximately HK$23.7 million (six months ended 30th June 2020: approximately HK$19.3 million) and the overall gross profit percentage increased by about 1.1% to approximately 30.5% (six months ended 30th June 2020: approximately 29.4%). The increase in amount of overall gross profit was mainly due to the increase in sales volume and the average selling price.

The loss for the period decreased by approximately HK$47.2 million to approximately HK$19.6 million (six months ended 30th June 2020: approximately HK$66.8 million). The approximately HK$47.2 million decrease in loss for the period was mainly due to (i) the increase in gross profit of approximately HK$4.4 million; (ii) the decrease in fair value loss in biological assets of approximately HK$16.4 million; (iii) the net increase in other income and expense of approximately HK$1.2 million; (iv) the decrease in administrative expenses of approximately HK$1.5 million; (v) the decrease in other expense of approximately HK$0.3 million; and (vi) the decrease in finance costs of approximately HK$23.4 million.

Basic loss per share for the period was HK0.63 cents (six months ended 30th June 2020: approximately HK2.20 cents).

The Directors do not recommend the payment of interim dividends for the six months ended 30th June 2021 (six months ended 30th June 2020: Nil).

Sugar Cane Growing and Sugar Manufacturing Business in Jamaica

Business review

The Joyful Right Limited is the holding company of Pan-Caribbean Sugar Company Limited ("PCSC") which has operated the three sugar estates, namely Bernard Lodge Sugar Estate, Monymusk Sugar Estate and Frome Sugar Estate and two sugar factories, namely Monymusk Sugar Factory and Frome Sugar Factory in Jamaica since 15th August 2011, a 70% indirectly owned subsidiary of the Company, together called "Joyful Right Group". Due to the severe business environment for the sugar cane growing and sugar manufacturing business in Jamaica, the Group has suspended certain agricultural and factory operations that are under serious loss since June 2016, which include two sugar estates of Bernard Lodge Sugar Estate and Monymusk Sugar Estate as well as one sugar factory of Monymusk Sugar Factory. Joyful Right Group resumed the operation of Monymusk Sugar Factory in year 2018 and suspended again the operation in year 2019 and continues to operate the Frome Sugar Estate and Frome Sugar Factory. The following analysis of sugar cane growing and sugar manufacturing business in Jamaica is based on Joyful Right Group.

For the turnover, Joyful Right Group recorded a turnover of approximately J$1,485.4 million (approximately HK$77.5 million) for the six months ended 30th June 2021 (six months ended 30th June 2020: approximately J$1,092.3 million (approximately HK$65.4 million)). Joyful Right Group sold approximately 8,700 tonnes of raw sugar amounting to approximately J$1,170.0 million (approximately HK$61.1 million) and approximately 14,800 tonnes of molasses amounting to approximately J$315.4 million (approximately HK$16.4 million) for the six months ended 30th June 2021 compared with approximately 8,200 tonnes of raw sugar amounting to approximately J$944.2 million (approximately HK$56.5 million) and approximately 9,800 tonnes of molasses amounting to approximately J$148.1 million (approximately HK$8.9 million) for the same period last year.

For the revenue of raw sugar, it increased by approximately J$225.8 million (approximately HK$4.5 million) for reasons of the approximately 17.1% increase in average selling price and an approximately 5.9% increase in sales volume. While, the approximately 17.1% increase in average sugar price of raw sugar was due to the fall in world sugar output for second straight year. The drought, lack of laborers (the outbreak of the COVID-19 pandemic impacted the availability of human resources in cane sugar factories) and increasing cost of global transposition had caused the shutdown of the cane sugar factories and the production of leading sugar production countries saw a significant decrease. On the other hand, the increase in sales volume of raw sugar of approximately 500 tonnes was mainly due the net result of the increase of approximately 1,300 tonnes in local sales volume in Jamaica and the decrease of approximately 800 tonnes in export sales. The increase in sales output was mainly due to the increase in production output from the increase in supply of raw material of sugar cane (which benefited from the improved weather condition in Jamaica and the provision of transportation subsidy from Jamaican Government to support the farmers in the Appleton Sugar Estate (after the closure of the Appleton Estate Sugar Factory) to transport their sugar cane to process in our Frome Sugar Factories) as well as an increase in domestic demand of approximately 1,300 tonnes. The approximately 1,300 tonnes increase in domestic sales volume was contributed from the approximately 1,400 tonnes increase in sale of large-packaged sugar of 50kg. The increase in demand in large-packaged sugar of 50kg was mainly driven up by the increase in second and third-tier distributors in Jamaica who buy the large-packaged sugar of 50kg and sub-pack them into different smaller packs under their different own logos to different market segments.

For the revenue of molasses, the increase of approximately J$167.3 million (approximately HK$7.6 million) was mainly for reasons of the approximately 32.3% increase in average selling price and an approximately 61.0% increase in sales volume. While, the approximately 32.3% increase in average selling price of molasses was due to the decrease in global supply of molasses (for the same reason of decrease in raw sugar as mentioned in above paragraph). On the other hand, the approximately 61.0% increase in molasses volume was mainly due to the larger amount of sugar cane crushed during the period and so more molasses was produced and available for sales. It also benefited from the shortfall in supply on foreign molasses, all the increased molasses output was fully absorbed locally during the period.

The table below shows geographical analysis of turnover of sugar and molasses.

	Six months ended 30th June					
	2021			2020		
	J$'million	**HK$'million**	**% of Turnover**	J$'Million	HK$'million	% of Turnover
By region						
Jamaica	1,240.2	64.7	83.5	813.6	48.7	74.5
United States	245.2	12.8	16.5	278.7	16.7	25.5
	1,485.4	77.5	100.0	1,092.3	65.4	100.0

Joyful Right Group still maintain the roughly 80:20 domestic and overseas sales ratio. As shown in above table, Jamaica remains the principal market for Joyful Right Group. The domestic sales in Jamaica accounted for approximately 83.5% (six months ended 30th June 2020: approximately 74.5%) of total sales and the export to United States accounted for remaining approximately 16.5% (six months ended 30th June 2020: approximately 25.5%). The change in sales mix was mainly due to the effect of reduction in competition from the closure of more sugar mills in Jamaica (like Golden Grove Factory in 2019 and Appleton Estate Sugar Factory in 2020). This reduction in competition resulted in the decrease in supply that contributed to the rise in sales volume of the domestic sales in Jamaica. Furthermore, the average selling price in Jamaica for this period was still higher than that in international markets. Joyful Right Group therefore would fulfill all domestic demand before exporting the excess to overseas markets and this resulted in an approximately 800 tonnes decrease in export sales to United States during the period under review.

In terms of gross trading results, the Joyful Right Group recorded a gross profit of approximately J$453.1 million (approximately HK$23.7 million) for the six months ended 30th June 2021 (six months ended 30th June 2020: approximately J$321.4 million (approximately HK$19.3 million)). The increase in amount of gross profit of approximately J$131.7 million (approximately HK$4.4 million). The gross profit ratio is increased by approximately 1.1% to approximately 30.5% for the six months ended 30th June 2021 as compared with approximately 29.4% for the same period last year. The increase in gross profit percentage during the period, as explained above, was mainly due to the increase in average selling price and sale volume of raw sugar by approximately 17.1% and approximately 5.9% as well as the increase in average selling price and sale volume of molasses by approximately 32.3% and approximately 61.0% respectively during the period.

In terms of net operation results, the Joyful Right Group recorded a net loss of approximately J$372.2 million (approximately HK$19.9 million) for the six months ended 30th June 2021 (six months ended 30th June 2020: approximately J$1,030.4 million (approximately HK$60.3 million)). The approximately J$658.2 million (approximately HK$40.4 million) decrease in net loss was mainly due to the combined effect of positive impacts and negative impact. The positive impacts included the (i) an approximately J$131.7 million (approximately HK$4.4 million) increase in gross profit for reasons as mentioned above paragraph; (ii) an decrease of approximately J$272.3 million (approximately HK$16.4 million) in loss in fair value of biological assets resulting mainly from the approximately 18.1% rise in market value of sugar cane; (iii) the net increase of other income and expense of approximately J$28.7 million (approximately HK$1.2 million) stemming from the increase in equipment rental income from subcontractors along with the increased works assigned to them when the production volume increased; (iv) the decrease in other expense of approximately J$7.1 million (approximately HK$0.4 million) for the decrease in impairment loss of bearer plant; (v) the decrease in finance cost of J$234.2 million (approximately HK$18.8 million) of which approximately HK$15.4 million decrease in exchange loss (attributable primarily to the drop in extent of depreciation of Jamaican dollar) and approximately HK$3.4 million decrease in floating interest expense when the US LIBOR rate dropped in first half 2021; as well as the negative impact included the (vi) the increase in administrative expense of approximately J$15.8 million (approximately HK$0.8 million) mainly for reason of the increase in security expense to cover the extended production period.

Supporting services to sweetener and ethanol business

Business review

The turnover from customers outside the Group for the six months ended 30th June 2021 was HK$ Nil (six months ended 30th June 2020: HK$ Nil). The reason for no revenue during the six months ended 30th June 2021 was because the three years annual cap for the continuing connected transactions from 2019 to 2021 was voted down by independent shareholders on extraordinary general meeting held on 31st May 2019, the supporting services business segment cannot carry out any continuing connected transaction with its customers who presently are all connected parties, therefore, the supporting services business segment does not record any segment revenue during the six months ended 30th June 2021.

The gross profit for the six months ended 30th June 2021 was also HK$ Nil (six months ended 30th June 2020: HK$ Nil). The gross profit ratio after elimination of inter-segment sales was HK$ Nil (six months ended 30th June 2020: HK$ Nil). There was no gross profit because of no turnover from customers outside the Group as explained above.

The net operating profit of this segment for the six months ended 30th June 2021 was of approximately HK$0.4 million (six months ended 30th June 2020: the net operating loss of approximately HK$2.7 million). The net operating profit of approximately HK$0.4 million for the six months ended 30th June 2021 was mainly due to the net exchange gain on the translation of foreign currencies.

Ethanol Business

Business review

Reference is made to the announcement of the Company dated 3rd March 2014 in relation to the impairment losses on ethanol biofuel business in Benin. Terms used in this report shall have the same meanings as those defined in the announcement dated 3rd March 2014 unless otherwise defined herein.

The ethanol operation in Benin is operated by Compagnie Beninoise De Bioenergie SA ("CBB"), a company incorporated under the Republic of Benin with limited liability and is a 90% indirectly owned subsidiary of the Company. The construction of ethanol plant of CBB continues to suspend during the period because Benin Government is still unable to execute the Leased Land provision in the Cooperation Agreement and Leased Land is still unavailable for CBB for cultivation of cassava and/or sugar cane to supply raw materials of its production of bioethanol. Construction works were still under suspension pending for appropriate alternate business plan.

The net operating profit of this segment for the six months ended 30th June 2021 was of approximately HK$0.1 million (six month ended 30th June 2020: the net operating loss of approximately HK$0.5 million). The net operating profit for the six months ended 30th June 2021 was mainly relating to the interest income earned during the period.

FINANCIAL REVIEW

Liquidity and Financial Resources Review

Equity

As at 30th June 2021, the Company had 2,191,180,000 outstanding ordinary shares of HK$0.1 each (31st December 2020: 2,191,180,000 shares).

Capital deficiency attributable to owners of the Company as at 30th June 2021 amounts to approximately HK$813.5 million (31st December 2020: approximately HK$812.5 million).

Borrowings

As at 30th June 2021, the Group's Hong Kong total borrowing (that consisted of amount payable on demand to Complant Sugar, amounts due to non-controlling interests and lease liabilities) of approximately HK$1,083.0 million (31st December 2020: approximately HK$1,072.1 million), of which HK$533.7 million (31st December 2020: HK$533.7 million) was the amount payable on demand to Complant Sugar, approximately HK$522.4 million (31st December 2020: approximately HK$512.6 million) was the amounts due to non-controlling interests and an approximately HK$26.9 million (31st December 2020: approximately HK$25.8 million) was the lease liabilities.

Gearing

As the shareholder's equity attributable to owners of the Company was a deficiency of approximately HK$813.5 million (31st December 2020: approximately HK$812.5 million), the calculation of gearing ratio as at 30th June 2021 and 31st December 2020 were inappropriate.

Financial Resources

Bank deposits and cash balances as at 30th June 2021 amounted to approximately HK$68.3 million (31st December 2020: approximately HK$63.5 million), mainly denominated in Hong Kong Dollars, US Dollars and Jamaican dollars. The bank balances were placed in short term deposits with major banks in Hong Kong and Jamaica. The Bank deposits and cash balances increased by approximately HK$4.8 million, of which (i) the net cash from operating activities of approximately HK$6.2 million; (ii) the net cash used in investing activities of approximately HK$1.2 million; and (iii) net negative effect of exchange rate change on cash and cash equivalents of approximately HK$0.2 million.

In view of net loss and capital deficiency positions of the Group, the management had implemented the measures, among others, to secure a letter of support from Complant Sugar not to recall any of the amount due to it until the Group is able to pay its other creditors in the normal course of business as well as to carry out various cost control measures and budgetary controls in order to mitigate the Group's liquidity pressure and to improve the conditions of cash flow. In light of such implemented measures and the Group's twelve-month cash flow projections, the management and also the Board were satisfied that the Group's ability to continue to finance its business operations with the internally generated finance resources.

Treasury Policies

The Group continues to adhere to prudent treasury policies. The Group's overall financial and funding policies were aimed to control credit risk to lower the risk of credit sales, the liquidity risk to ensure that funds would be recovered on a timely basis to fulfill the requirement of debt repayment and to closely monitor the overall currency and interest rate exposures to minimize risks in their fluctuation. The Group did not use any derivative financial instruments to hedge for its risk exposure during the period ended 30th June 2021.

Foreign Exchange Exposure

The Group's operates in Jamaica and African countries, China and Hong Kong. During the period ended 30th June 2021, turnover was denominated mainly in US dollar and Jamaican dollar while its costs and expenses were primarily in Jamaican dollar and US dollar where the Group's continuing operations are based. The Group is exposed to potential foreign exchange risk as a result of fluctuations between those currencies that are not pegged. In addition, the main operational assets of the Group are located and denominated in local currencies in Jamaica and African countries while the Group's reporting currency is in Hong Kong dollar. This also exposes the Group to potential foreign exchange risk upon translation of those assets on each reporting date.

The Group did not enter into any arrangements or financial instruments for the purpose of hedging against the potential foreign exchange risks during the period under review. In the event that Jamaican dollar were to depreciated substantially against US dollar, the risk can be mitigated by increasing the sales denominated in US dollar. As for the operational assets of the Group, any foreign exchange losses due to translation of the carrying value of the assets to the Group's reporting currency on reporting dates are unrealised and non-cash in nature. As such, active hedging activities are not considered warranted. Nonetheless, management will monitor closely its foreign currency exposure to ensure appropriate measures are taken promptly against any significant potential adverse impact.

Pledge of assets

As at 30th June 2021 and 31st December 2020, the Group did not have any pledge of assets.

Capital Commitment

As at 30th June 2021 and 31st December 2020, the Group did not have any significant capital commitments.

EMPLOYEE REMUNERATION POLICY

Remuneration policies

Staff remuneration packages of the Group are comprised of salary and discretionary bonuses and are determined with reference to the market conditions and the performance of the Group and the individuals concerned. The Group also provided other staff benefits including medical insurance, provident funds and share options to eligible staff of the Group. The total remuneration paid to the employees (including pension costs and the directors' remuneration) of the Group in the period under review was approximately HK$25.0 million (six months ended 30th June 2020: approximately HK$20.5 million), of which, approximately HK$24.0 million (six months ended 30th June 2020: approximately HK$19.5 million) was the total staff cost expense in sugar cane growing and sugar manufacturing business in Jamaica. The increase in staff cost is mainly due to the increase in number of staff to deal with the increased workload.

As at 30th June 2021, the Group had 136 full time employees (31st December 2020: 116) and 539 temporary employees (31st December 2020: 422).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group had no material acquisition or disposal of subsidiaries, associates or jointly-controlled entities during the period under review.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Reference is made to the announcement made by the Company dated 1st February 2010 and definitions of this announcement are adopted herein, there is no new progress for the MOU signed by the Company and CADFund on 31st January 2010 in respect of the Possible Transactions during the period under review.

Except that, the Group had no other future plans for material investments and capital assets during the period under review.

SIGNIFICANT INVESTMENTS HELD

The Group had not made any significant investment during the period ended 2021 and 2020.

PROSPECTS

Sugar business segment

As the development of the COVID-19 outbreak remains to be highly unpredictable, the extent of its impact on the sugar business segment is uncertain. The sugar business segment (with measures to ensure safety of the employees) is still maintaining operation in Jamaica up to the date of this report. As impacted by COVID-19 pandemic, expectations of fall in global sugar production from major sugar producing and exporting nations and the tight sugar supply situation in the global market may continue and may further push up the international sugar prices. Therefore, the firmness in international sugar prices is expected to continue for the second half of the year. Furthermore, it is expected that the Jamaican government will continue the subsidy to facilitate the transportation of sugar cane and to effect repairs to cane roads as part of the continued support to farmers and other stakeholders within the industry to alleviate the negative impact from COVID-19 pandemic. The sales department of sugar business segment has also negotiated with those domestic distributors to take more delivery of the contracted quantity of small-packaged sugar of 20kg and has also been liaising with those overseas buyers to drive more export sales to United States in second half of the year. These will mean reducing the closing sugar inventories for additional revenue and cash flow stock in second half of the year.

Supporting service segment

The Group expects that Sino-Africa Technology & Trading Limited will continue to suspend those continuing connected transactions with connected parties in second half of 2021. Under the impact of the COVID-19 pandemic, the market demand for the supporting services provided to independent third parties is still weak, Zheng Cheng also may not carry out any business in second half of 2021 until the market rebound and the account receivables can collect to finance future transactions.

Ethanol business segment

For the Group's ethanol biofuel business, the construction of ethanol plant will continue to suspend in second half of 2021, pending for appropriate alternate business plan for this operation.

DIRECTORS' INTERESTS IN SECURITIES

As at 30th June 2021, none of the Directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of the SFO) as recorded in the register required to be maintained under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Company.

SHARE OPTION SCHEME

The Company has, in accordance with Chapter 17 the Listing Rules, adopted a new share option scheme (the "2007 Share Option Scheme"), as approved by the shareholders of the Company at the extraordinary general meeting held on 20th September 2007. The purpose of the 2007 Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to the employees, directors, consultants and advisers of the Group and to promote the success of the Group. The details of the 2007 Share Option Scheme as pursuant to the Listing Rules are set out in the Company's circular dated 3rd September 2007.

As at the end of the reporting period, no share option has been granted under the 2007 Share Option Scheme since its adoption.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme as disclosed above, at no time during the period was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debts securities (including debentures) of, the Company or any other body corporate and none of the directors, their spouses or children under the age of 18, had any rights to subscribe for securities in the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th June 2021, as far as is known to the Directors or the chief executive of the Company, the following persons (other than Directors or chief executive of the Company) had interests in shares and underlying shares and debentures of the Company, as recorded in the register required to be kept under section 336 of the SFO:

Long Position in shares

	Nature of interests and capacity in which interest are held			
Name	**Beneficial owner** (Note 1)	**Held by controlled Group**	**Total**	**Approximate % of the issued share capital**
China National Complete Plant Import & Export Group Corporation Limited ("China Complant")	800,000,000	–	800,000,000	36.51
COMPLANT International Sugar Industry Co., Ltd. ("Complant Sugar") (Note 2)	300,000,000	–	300,000,000	13.69

Note 1: State-owned Assets Supervision and Administration Commission (中國國務院國有資產監督管理委員會) holds 100% of the State Development & Investment Corp., Ltd. (國家開發投資集團有限公司) which holds 100% of China Complant which in turn holds 30% in Complant Sugar.

Note 2: Complant Sugar charged the convertible notes of principal amount of HK$533.7 million convertible into 889,500,000 shares representing 40.59% of the issued capital of the Company before its maturity date (the "Outstanding Convertible Note") to China Complant. The Outstanding Convertible Note had matured on 27th February 2019 and it was now an amount payable on demand with Complant Sugar as at 30th June 2021.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30th June 2021, the Company has complied with the code provisions of the Corporate Governance Code as set out in the Appendix 14 to the Rules Governing the Listing of Securities (the "Code"), except for the following deviation:—

Code Provision A.1.8

Under the code provision A.1.8, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. The Company is still in the process of obtaining insurance proposal from the insurers with intent to purchase the relevant liability insurance for Directors within 2021.

Code Provision A.2.1 and 2.4

Under the code provision A.2.1, the roles of chairman and chief executive officer (the "CEO") should be separate people and should not be performed by the same individual. The divisions of responsibilities between the chairman and CEO should be clearly established and set out in writing. Under the new code provision A.2.4, the chairman should provide leadership for the board. The chairman should ensure that the board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner.

The Company segregates the role of Chairman from the Managing Director who also assumes the responsibilities of chief executive officer. Mr. Liaw Yuan Chian was the Managing Director till his resignation on 16th December 2010. The Company has not refilled these positions yet that calls for an exhaustive scrutiny in the selection. The Board considered the balance of power between the Board members and the balance of authority between the Board and the management have not been impaired after the resignation of the Managing Director, given that about half of the Board members are independent non-executive and a clear division of responsibilities are in place for the running of the business of the Group. The Company remains structured to ensure appropriate segregation of duties so that power is not concentrated in any one individual.

Code Provision A.4.1

Under the code provision A.4.1, non-executive Directors should be appointed for a specific term, subject to re-election. The independent non-executive Directors of the Company were appointed for specific term. However, none of the non-executive Directors were appointed on specific term. This constitutes a deviation from the code provision A.4.1 during the period. However, one-third of the Directors (including executive and non-executive) are subject to retirement by rotation at each annual general meeting under the Company's articles of association (the "Articles"). As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

Code Provision A.6.7

Under the code provision A.6.7, independent non-executive Directors and other non-executive Directors, as equal board members, should give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and development a balanced understanding of the views of shareholders. Due to other business engagements, the independent non-executive Directors of Mr. Shi Zhu and Dr. Lu Heng Henry did not attend the annual general meeting held on 29th June 2021.

Code Provision E.1.2

Under the code provision E.1.2, the chairman of the Board should attend the annual general meeting. Ms. Liu Yan, the chairman of the Board, was unable to attend the annual general meeting of the Company held on 29th June 2021 due to another business engagement.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The Company's Audit Committee has reviewed the unaudited consolidated interim financial statements for the six months ended 30th June 2021. The audit committee is of the view that the interim results for the six months ended 30th June 2021 was prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

The unaudited consolidated interim financial statements for the six months ended 30th June 2021 was also approved by the Board on 31st August 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all the directors, all the directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

By order of the Board
Liu Yan
Chairman

Hong Kong, 31st August 2021